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NIO/EA
4 September 1985US-PRC AIR DEFENSE TECH TRANSFER: FLYING OFF WITHOUT A PARACHUTE?

The US plans to transfer important air defense technology to the PRC in coming months. An avionics modernization project high on Beijing's list of wanted items appears set for Congressional notification as soon as the Nuclear Agreement and Large Caliber Artillery Program clear the Hill. Not far behind looms the Executive Branch decision on China's formal request for a high performance jet engine--either the Pratt & Whitney 1117/1120 or the General Electric 404. Action on the request could come by summer 1986. State and Defense appear favorably disposed to a transfer, but are concerned about Congressional reaction. The Chinese are also receiving considerable help in upgrading their air force from the Israelis and Western European countries. Together these transfers can significantly increase the capability of Beijing's air defense fighters, the F-7 (MIG-21 variant) and F-8 (indigenously designed) and over time could begin to reduce somewhat the Soviet air advantage. But these decisions could also lead eventually to serious frictions in US-PRC relations--a factor which is being largely overlooked or heavily discounted in the current policy debate.

The Chinese already manufacture an improved version of the F-7 (MIG-21) that incorporates the English-made Marconi radar and Head Up Display. They are attempting to market this airplane internationally for \$3.5 million per copy. At this price, a number of third world countries may see the F-7 as a good buy even though it suffers from a miserably short engine life. With a US engine, the export version would become a truly "hot" aircraft much in demand by financially strapped nations seeking more aircraft per dollar to fill out their inventory requirements. Produced exclusively thus far for export, the F-7's introduction into the Chinese Air Force in quantity seems the most cost effective method of increasing PRC capabilities over the short to mid-term.

Over the longer term, the Chinese hope to improve the underpowered, poorly armed, low tech F-8 (a real "dog") by acquiring avionics from the US that would give the F-8-2 version a lookdown shoot-down capability and improve its all-weather operations. They would also like to incorporate a US high technology jet engine into the aircraft. Moreover, there are reports that Beijing has acquired the Israeli produced Python air-to-air missile which is similar to the US-produced Aim 9L with an all-aspect capability. The Chinese are also negotiating with Italy to acquire the Aspide missile that can be used in a surface-to-air and air-to-air mode. If Beijing purchases a large number of either of these missiles, especially if it gets coproduction rights, the Chinese will have solved one of the biggest problems facing its air force in the air combat arena--the deployment of an all-weather, all-aspect, long-range intercept missile on their F-8.

As comforting as these prospects may be for the Chinese, and worrisome to the Soviets, improvements in the Chinese air defense forces could pose serious dilemmas for the US. Beijing apparently views the export of jet

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fighters as an important source of hard currency and an expanding business with a bright future. Improved aircraft only increases marketing opportunities in their mind. And indeed a potentially large market for low end high performance jet aircraft exists. Numerous countries face requirements for replacing aging F-5As and Bs and similar aircraft in their inventories over the next few years. The most prosperous nations have opted for the US F-16 or like aircraft. Few, even among the economically advanced, however, can afford to modernize their force completely with high cost American and Western European fighters. The F-7 export model and possible follow-on versions provide an attractive alternative for purchase of low cost airplanes in quantity. This would adversely affect the US in several ways:

- American manufacturers, for example, are likely to cry foul and pressure the Executive Branch to use its influence to discourage potential buyers. They will also insist on strict compliance with US regulations concerning third country transfers if US technology is involved. In either event, we should expect China to react negatively. It is unclear whether or not the Chinese understand fully the restrictions placed on transferring US derived technology. Some analysts believe that even if they do, they are likely to resist any suggestion of limiting exports.
- More importantly, many of China's customers will be countries traditionally heavily dependent on the US for military hardware such as Pakistan and Thailand. This could reduce our military's influence in those countries and complicate resupply and interoperability of equipment in wartime.

The increasing air superiority of the PRC vis-a-vis Taiwan could also produce serious frictions in US-PRC relations. It might require at some point in the future scrapping the August 1982 US-PRC Communique or interpreting the agreement to allow for the sale of high performance US aircraft to Taipei. In either case, China's reaction is likely to be strong and extremely negative.

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[] the PRC now possesses about twice as many of these fighters as it did in 1980. In addition, a substantial number of more modern interceptors (F-7s and F-8s) could be substituted for the MIG-19s []

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[] Taiwan's Air Force, on the other hand, has remained essentially the same size. Any qualitative improvements gained by the availability of additional F-5Es and F-104s is more than offset by upgrades on the PRC side.

Projecting the PRC-Taiwan air balance into the future merely underscores the PRC's growing superiority. The gap noticeably widens in favor of the PRC by the early 1990s, possibly narrows somewhat by the end of the decade, and then continues to widen thereafter. Between now and 1990 the PRC is expected to make only modest gains in its existing modernization programs, but actually widens the gap with Taiwan because of attrition of existing F-5As and Bs in Taiwan's inventory. The introduction of the Indigenous Fighter Program (1992-1994) will offset this somewhat and could even narrow the fighter gap temporarily. But, US technology transfers to Beijing and the shrinking military sales to Taiwan mandated by the August 1982 Communique insure Beijing's air force gradually widening its lead over Taiwan during the next decade and beyond.

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